GOVERNMENT OF ANDHRA PRADESH
A B S T R A C T

MA & UD Dept. – Andhra Pradesh Urban Development Fund (APUDF) - Funding structure for APUDF – Approved - Orders – Issued.

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MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UI) DEPARTMENT

G.O.MS.No. 319 Dated: 07-12-2016

Read the following:-

1. G.O. Ms. No. 132, MA&UD (UBS) Dept., dt. 24.5.2016.
2. G.O. Ms. No. 133, MA&UD (UBS) Dept., dt. 24.5.2016.
3. From Chief Executive Officer, APUIAML., Vijayawada, letter, dt. 27.8.2016and 13.10.2016.

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ORDER:

Government in the GOs. first and second read above, have issued orders for formation of A.P. Urban Development Fund (APUDF) with the objective to lend finance to the Urban Local Bodies in the State in developing urban infrastructure projects on commercial or PPP principles. Government have agreed for providing initial Seed Corpus for APUDF, and also accorded in principle approval for the USD 100 Million Dollar loan from Multinational Banks viz. ADB towards the proposed Andhra Pradesh Urban Development Fund. Government have also approved formation of APUDF and its broad features vide G.O. second read above.

2. The Chief Executive Officer, A.P. Urban Infrastructure Asset Management Ltd. (APUIAML), Vijayawada, vide letter third read above, has submitted Fund management structure as finalized by the Board of Directors of the APUIAML, for approval also to accord approval to set up the APUDF as a Category II AIF entity under SEBI Guidelines.

3. Government in the light of the orders issued vide reference 1st and 2nd read above, and after careful examination of the proposal submitted by the Chief Executive Officer, APUIAML, Vijayawada, here by approve the Fund Structure of the APUDF as given below, and also accord approval to set up the APUDF as Category II AIF entity under the SEBI (Alternative Investment Funds) Regulations, 2012.

4. **Structure of APUDF:**

(i) Fund Name : Andhra Pradesh Urban Development Fund
(ii) Fund Structure : SEBI AIF Category II
(iii) Sponsor : Government of Andhra Pradesh
(iv) Fund Manager : Andhra Pradesh Urban Infrastructure Asset Management Limited.(APUIAML)

(PTO)

(v) **Governing Body** : Governing body is the highest approval authority and decision making authority in respect of APUDF. It approves the recommendations placed before by the Investment Committee regarding the projects/ proposals to be taken up under APUDF. The Governing Body comprises of:

Chief Secretary to Government	-	Chairman
Special Chief Secretary to Govt./PFS	-	Member
Principal Secretary to Govt., MA&UD	-	Member
Chief Executive Officer, APUIAML	-	Member- Convener

(vi) **Investment Committee:** Its functions are recommendatory in nature. The Committee studies and analyses the Project reports /proposals submitted by the Appraisal Committee and places them before the Governing Body along with its recommendations . The Committee comprises of the following:

Special Chief Secretary to Govt./PFS	-	Chairman
Principal Secretary to Got. MA&UD	-	Member
Jt. Managing Director. IL&FS Finl. Services Ltd.	-	Member
Executive Director, IL&FS Invst. Managers Ltd.	-	Member

(vii) **Appraisal Committee**: It reviews the project reports/ proposals shortlisted and submitted by the APUIAML. It comprises the following:

Principal Secretary to Govt., MA&UD	- Chairman
Director of APUIAML	- Member
CEO, APUIAML	- Member Convener

(viii) **Advisory Board**: It consists the Contributories to the Fund.

(ix) **Size** : Rs.5,000.00 Crores

(x)**Sponsor Commitment**: 2.5% of corpus or Rs.50 mn (whichever is lower)

(xi)**Term**: 20 years with commitment period of 10 years

(xii) **Management Fees (AMC)** : 1% p.a. payable quarterly (excluding taxes) on the basis of average outstanding investments during the quarter.

(xiii) **Units**: The Fund could issue multiple classes of units to its contributors to raise funds. For instance, the AIF could issue :

Class A Units — Investors entitled to Preferred Distributions
Class B Units — Investors making grants/technical assistance
Class C Units — Investors looking at equity returns
Class D Units — Manager entitled to Carried Interest

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(xiv) **Foreign Investors**: The Fund may accept contributions from non resident investors under automatic investment route *(i.e.* without any specific regulatory approval). FDI restrictions shall not be applicable to the downstream investments of the Fund.

(xv) **Categorisation under AIF Structure Fund of Funds**: The Fund may be set up as a 'Fund of Funds' ("FoF"), registered with SEBI as a Category II AIF. The FoF, as a Category II AIF, may invest in other Category I or 11AIFs ("Investee Funds") registered with SEBI. Each Investee Fund may have a unique strategy or investment focus and may finance projects within that focus.

Investment Process : A Standard Operating Procedure (SOP) Manual will be adopted and implemented in consonance with the activities of the Fund . This would primarily include the following steps:

(a) **Project Preparation and appraisal by APUIAML:** Any proposal originating from eligible Project proponents will first be subjected to an Planning, Identification, Financial Structuring, Phasing, Project Appraisal including financial analysis, financing strategy, project structuring etc by the Fund Manager i.e. APUIAML.

(b) **Review by the Appraisal Committee of the APUDF:** The proposals shortlisted for financial assistance will be put up to an Appraisal Committee of APUIAML for review in the prescribed format.

(c) **Approval of t he Investment Committee of the APUDF:** Once the appraisal Committee submitted its report the same will be placed before the Investment Committee. The Committee considers the proposals and make necessary recommendations.

(d) **Approval of the Governing Body of the APUDF:** The project reports / proposals along with recommendations of the Investment Committee will be placed before the Governing Body of the APUDF for approval.

(e) Other Requirements & Reporting:

(i) **Valuation**: By Independent Valuer once every 6 months or 1 year, if approved by 75% of the Investors.

(ii) **MIS** : A regular MIS reporting system of investment and periodic reports for Trustees and Investors.

(iii) **Investment Restriction**: AIFs shall invest not more than 25% of the investible funds in one investee entity at any time i.e. to any project SPV/ ULBs.

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(iv) **Investment in Associates**: AIFs shall not invest in associates except with the approval of 75% of investors by value of their investment in the AIR. Associates are defined as entities in which the Sponsor/Investment Manager holds more than 15%.

(f) ULBs (directly or through SPVs) would be able to access funding from APUDF via Equity, Bonds, Debentures, hybrid instruments, and Technical Assistance (for the project preparatory activities).

(5) Fund Management Services:

The Fund Management services will be offered to the APUDF and will be governed by a separate Fund Management Agreement entered between APUDF and APUIAML.

The eligible sectors will include :

(i) Water Supply, Drainage, Sewerage, and sanitation
(ii) Urban Transport
(iii) Solid Waste Management
(iv) Canal/water front development
(v) Land development/commercial development
(vi) Smart City including City Management Control Centre
(vii) Urban Housing as Integrated development, e.g. in Industrial/Economic cities.
(viii) Any other sector as approved by the APUDF invest in projects of ULBs, which are not companies. Certain specific projects of ULBs may be housed in SPVs.

6. The list of Projects initially approved for APUDF Funding is kept at Annexure to this G.O.

7. The Chief Executive Officer, APUIAML, Vijayawada, shall take further necessary action in the matter, as Asset Management Company (AMC) for the A.P. Urban Development Fund.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SATYA PRAKASH TUCKER
CHIEF SECRETARY TO GOVERNMENT

To
The CEO, A.P. Urban Infrastructure Asset Management Ltd.,
O/o the Amaravathi Metro Rail Corporation,
Kausalya, Gummadi Gopala Rao Street, Labbipet, Vijayawada.

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Copy to:-
The Director of Municipal Administration, A.P., Gorantla, Guntur
The Director of Town & Country Planning, Guntur
The Engineer-in-Chief (PH), A.P., Gorantla, Guntur
The M.D., A.P.U.F.I.D.C, Gorantla, Guntur
All Urban Local Bodies in the State.
The P.S to M (MA)
The PS to Chief Secretary to Govt.AP
The P.S.to Special Chief Secretary to Govt., Finance Dept.
The P.S. to Prl. Secy. to Govt. MA & UD
Sc/sf

// FORWARDED :: BY ORDER //

SECTION OFFICER

(contd…..Annexure p.6)

ANNEXURE

Initial List of Projects identified by the Andhra Pradesh Urban Infrastructure Asset Management Ltd. (APUIAML)

(Rs.in crores)

Sl No.	ULB	Sector	Project	Estimated Project Cost
1	Visakhapatnam	Sewerage	Providing UGD and 83 MLD STP to Gajuwaka and Malkapuram areas	557.00
2	Guntur	Sewerage	Comprehensive Sewerage System for Guntur Municipal Corporation area with 123 MLD STP	934.00
3	Kakinada	Sewerage	Development of Integrated Wastewater Project with 62 MLD STP	596.00
4	Tirupati	Sewerage	Comprehensive Sewerage System (50 existing + 32 new) 82 MLD STP	432.00
5	Vijayawada	Water Supply	24 X 7 Water Supply	172.00
			TOTAL	**2691.00**

(Rupees two thousand six hundred and ninety one crores only)

SATYA PRAKASH TUCKER
CHIEF SECRETARY TO GOVERNMENT

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SECTION OFFICER